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Forty-Third
ANNUAL REPORT

FISCAL YEAR ENDED MARCH 30, 1968

NATIONAL GROCERS COMPANY LIMITED



NATIONAL GROCERS COMPANY LIMITED

AND PARTLY-OWNED SUBSIDIARY COMPANY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	March 30, 1968	April 1, 1967
CURRENT ASSETS:		
Cash.....	\$ 166,996	\$ 173,340
Accounts receivable.....	3,986,287	3,745,372
Inventories at the lower of cost and estimated realizable value.....	15,486,036	14,565,944
Prepaid expenses.....	163,949	81,929
	<u>19,803,268</u>	<u>18,566,585</u>
DEDUCT—Current Liabilities:		
Bank overdrafts.....	3,059,514	5,700,424
Accounts payable and accrued liabilities.....	8,904,987	6,347,318
Loans from shareholders.....	178,438	206,893
Divident payable.....	90,766	—
Taxes payable and accrued.....	1,100,179	835,919
	<u>13,333,884</u>	<u>13,090,554</u>
WORKING CAPITAL.....	6,469,384	5,476,031
Accounts Receivable and Advances, subject to special repayment terms.....	1,208,567	972,536
Special Refundable Tax.....	53,383	132,192
INVESTMENTS, at approximate realizable value.....	595,585	600,737
Land, Buildings and Equipment, at cost.....	15,819,982	15,490,614
Less—Accumulated depreciation.....	7,177,417	6,591,033
	<u>8,642,565</u>	<u>8,899,581</u>
Excess of Cost of Investment in Partly-Owned Subsidiary over Underlying Book Value at Date of Acquisition.....	148,027	148,027
	<u>17,117,511</u>	<u>16,229,104</u>
DEDUCT:		
Long-term debt of partly-owned subsidiary company.....	—	330,895
Minority interest in net assets of partly-owned subsidiary company.....	45,985	6,408
	<u>45,985</u>	<u>337,303</u>
CONSOLIDATED NET ASSETS.....	\$17,071,526	\$15,891,801

REPRESENTED BY

CAPITAL STOCK:		
Cumulative \$1.50 dividend redeemable preference shares—		
par value \$20.00 each (redemption and liquidation value \$27.50 each)—		
Authorized, issued and outstanding—121,777 shares (127,362 shares at April 1, 1967).....	\$ 2,435,540	\$ 2,547,240
Common shares—		
Authorized—300,000 shares without nominal or par value		
Issued and outstanding—295,852 shares.....	295,852	295,852
EARNINGS RETAINED FOR USE IN THE BUSINESS.....	14,340,134	13,048,709
	<u>\$17,071,526</u>	<u>\$15,891,801</u>

APPROVED ON BEHALF OF THE BOARD:

J. J. WILEY
.....Director
L. R. LEHMAN
.....Director

NATIONAL GROCERS COMPANY LIMITED

Toronto, June 12, 1968

TO THE SHAREHOLDERS:—

Your Directors submit herewith statement of the Financial Position of the company, with related Statement of Earnings, for the fiscal year ended March 30th, 1968, as certified by Price Waterhouse & Company, Auditors for the company.

The statement this year consolidates the operations of our partly-owned subsidiary, Gordons Super Markets Limited.

Sales continue to increase, and were at an all-time record of \$196,762,170. All main divisions of the business participated in the increase.

Voluntary group store sales continued to expand under the Super Save, Red & White, Lucky Dollar and Maple Leaf plans. The programme of up-dating stores is being continued vigorously.

The company continues to assist selected independent customers with their technical and financial requirements—secured loans to retailers exceed \$975,000.

The statement reflects fortuitous market conditions during the year, and this situation, along with a marked improvement in the operating results of wholly-owned stores, made a worth while contribution toward offsetting the increase in operating expense amounting to \$695,549. Wages and benefits accounted for more than half of the total increase in operating expense.

A new Cash & Carry depot was opened during the year at Pembroke, bringing the total in operation to thirty-seven.

A new, modern warehouse is planned for Sudbury. The company continues with improvements and mechanization of present warehouses whenever possible, to compensate for increasing operating costs and greater pressure on profit margins.

Dividends at the rate of \$1.50 per share per annum on Preferred Shares paid during the year were \$189,183. Dividends paid on Common Shares, at the rate of 15¢ per share per quarter, amounted to \$177,511.

During the year, 5,585 shares of Preferred Stock of the company were redeemed for Sinking Fund purposes. This involved a reduction of \$143,195. in Working Capital.

The Directors wish to express warm thanks and appreciation to all of their customers for their continued support, and for the loyal and diligent efforts of our employees during the year.

On behalf of the Board of Directors,

J. J. WILEY,
President.

NATIONAL GROCERS COMPANY LIMITED

AND PARTLY-OWNED SUBSIDIARY COMPANY CONSOLIDATED STATEMENT OF EARNINGS

	For the fiscal year ended	
	March 30, 1968	April 1, 1967
Net sales.....	\$196,762,170	\$189,162,739
Earnings from operations for the year, before providing for the undernoted charges	\$ 5,571,718	\$ 4,723,357
DEDUCT:		
Provision for depreciation on buildings and equipment.....	\$1,069,536	937,241
Interest charges (net).....	310,737	320,774
Long-term lease rental expense.....	437,397	380,977
Remuneration of directors and executive officers.....	154,656	151,382
	<u>1,972,326</u>	<u>1,790,374</u>
Earnings before providing for taxes on income.....	3,599,392	2,932,983
DEDUCT—Provision for taxes on income.....	<u>1,848,000</u>	<u>1,460,000</u>
	1,751,392	1,472,983
DEDUCT—Minority interest in earnings of partly-owned subsidiary.....	<u>39,577</u>	<u>16,953</u>
Net earnings before undernotes item.....	1,711,815	1,456,030
Gain (loss) on sale of property.....	<u>(15,902)</u>	<u>48,696</u>
Net earnings for the year including gain (loss) on sale of property....	1,695,913	1,504,726
Earnings retained for use in the business at beginning of year.....	13,048,709	11,943,911
DEDUCT:		
Dividends on—		
Preference shares.....	189,183	194,654
Common shares.....	177,511	177,511
Premium on redemption of preference shares and tax thereon.....	<u>37,794</u>	<u>27,763</u>
	404,488	399,928
Earnings retained for use in the business at end of year.....	<u>\$ 14,340,134</u>	<u>\$ 13,048,709</u>

NOTE: The company and its subsidiary are obligated under long term leases to pay annual aggregate minimum rentals of \$423,000 (exclusive of taxes, insurance and other occupancy charges).

NATIONAL GROCERS COMPANY LIMITED

AND PARTLY-OWNED SUBSIDIARY COMPANY

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF WORKING CAPITAL

	For the fiscal year ended	
	March 30, 1968	April 1, 1967
SOURCE OF WORKING CAPITAL:		
Net earnings for the year, including gain (loss) on sale of property	\$1,695,913	\$1,504,726
Provision for depreciation	1,069,536	937,241
Decrease (increase) in Special Refundable Tax	78,809	(132,192)
Decrease in other investments	5,152	10,469
Minority interest in earnings of partly-owned subsidiary company	39,577	16,953
	<u>2,888,987</u>	<u>2,337,197</u>
APPLICATION OF WORKING CAPITAL:		
Increase (decrease) in accounts receivable and advances subject to special repayment terms	236,031	(96,255)
Net expenditures for additions to capital assets	812,520	1,777,734
Payment of long-term debt by partly-owned subsidiary company	330,895	51,661
Redemption of preference shares	149,494	106,063
Payment of dividends—		
Preference shares	189,183	194,654
Common shares	177,511	177,511
	<u>1,895,634</u>	<u>2,211,368</u>
Increase in working capital	993,353	125,829
Working capital at beginning of year	5,476,031	5,350,202
Working capital at end of year	<u>\$6,469,384</u>	<u>\$5,476,031</u>

AUDITORS' REPORT

To the Shareholders of National Grocers Company, Limited:

We have examined the consolidated statement of financial position of National Grocers Company, Limited and partly-owned subsidiary company as at March 30, 1968 and the consolidated statements of earnings and source and application of working capital for the fiscal year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at March 30, 1968 and the results of their operations and the source and application of working capital for the fiscal year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto June 4, 1968

PRICE WATERHOUSE & Co.
Chartered Accountants.

DIRECTORS

R. H. BAINARD, *Chairman*

L. R. LEHMAN

J. A. MEDLAND, B.COMM., C.A.

B. H. SHELLY, B.COMM.

P. S. LENNIE

A. C. PLATER

W- R. SCOTT C.A.

J. J. WILEY

OFFICERS

J. J. WILEY

President and General Manager

B. H. SHELLY, B.COMM.

Vice-President

A. C. PLATER

Vice-President

L. R. LEHMAN

Secretary-Treasurer and Comptroller

THE SUPPLY HOUSE FOR



DISTRIBUTION WAREHOUSES IN THE PROVINCE OF ONTARIO

Belleville

Kingston

Oshawa

Sault Ste. Marie

Brantford

Kirkland Lake

Ottawa

Smiths Falls

Chatham

Kitchener

Owen Sound

Stratford

Cochrane

Lindsay

Parry Sound

Sudbury

Cornwall

London

Pembroke

Timmins

Gore Bay

New Liskeard

Peterborough

Toronto (Bramalea)

Guelph

Niagara Falls

St. Catharines

Toronto (Terminal)

Hamilton

North Bay

St. Thomas

Welland

Kapuskasing

Orillia

Sarnia

Windsor